

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 DODE-00 PM-04 H-02 L-03 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 /071 W

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R 121609Z JUL 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 7801

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: EGEN, PO

SUBJECT: NEW DECREE PERMITS WORK-WEEK AND TEMPORARY  
LAY-OFFS

1. COUNCIL OF MINISTERS HAS APPROVED DECREE LAW. NO. 530/76  
OF JULY 7, 1976, PERMITTING TEMPORARY LAY-OFFS OF EXCESS  
WORKERS AND/OR REDUCTION OF THE WORK-WEEK. RECOGNIZING THAT  
MANY FIRMS BEAR UNACCEPTABLE FINANCIAL BURDEN BECAUSE OF RE-  
DUCED DEMAND AND THEIR INABILITY TO DISMISS EXCESS LABOR,  
THIS DECREE AUTHORIZES GOP TO ACTIVELY SEEK RESOLUTION OF  
SUCH PROBLEMS. GOP, THROUGH A JOINT ORDER (DESPACHO) BY MIN-  
ISTRY OF LABOR AND PERTINENT SUPERVISORY MINISTRY, CAN HELP  
A FIRM TO RESTRUCTURE ITS PRODUCTION OR CAN SIMPLY ADOPT  
AMELIORATIVE ADMINISTRATIVE MEASURES.

2. IF A COMPANY IS TO RESTRUCTURE, GOP CAN ASSIST IN THE  
FOLLOWING STEPS: A) DEFINITION OF THE COMPLETE RESTRUCTURING  
PROCESS, INCLUDING THE SELECTION AND FEASIBILITY STUDY OF  
NEW PRODUCTS; B) DETERMINATION OF TIME REQUIRED FOR  
RESTRUCTURING, WHICH IS NOT TO EXCEED 12 MONTHS; AND  
C) PROJECTION OF INVESTMENT AND LABOR REQUIREMENTS.  
DURING THE PERIOD OF RESTRUCTURING, UNNECESSARY WORKERS

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CAN BE TEMPORARILY LAID-OFF. SUCH WORKERS WOULD HAVE

PREFERENCE WHEN THE COMPANY BEGINS HIRING ADDITIONAL EMPLOYEES.

3. IF GOP DECIDES MERELY TO TAKE ADMINISTRATIVE MEASURES, IT CAN: A) AUTHORIZE REDUCTION IN COMPANY'S WORK-WEEK TO THREE DAYS; B) TEMPORARILY FREEZE WAGE CONTRACTS AND TAKE OTHER STEPS TO IMPROVE THE COMPANY'S FINANCIAL POSITION; AND C) PERMIT INTRA-COMPANY WORKER TRANSFERS. DURING THE PERIOD OF REDUCED WORK-WEEK, AFFECTED WORKERS WILL RECEIVE A GOP-FINANCED SUBSIDY DESIGNED TO KEEP THEIR INCOME FROM FALLING BELOW THE NATIONAL MINIMUM WAGE. IN ADDITION, THEY WILL STOP THEIR PAYMENT OF UNION DUES AND THEIR CONTRIBUTIONS TO THE SOCIAL SECURITY SYSTEM, WITHOUT LOSS OF BENEFITS.

4. COMPANIES WISHING TO TAKE ADVANTAGE OF THIS DECREE MUST APPLY TO THE PERTINENT MINISTRY AND DEMONSTRATE THAT THEIR WORKERS REPRESENTATIVES CONCUR.

5. COMMENT: DECREE NO. 530/76 WAS ONE OF FOUR MAJOR DECISIONS TAKEN DURING FINAL DAYS OF SIXTH PROVISIONAL GOVERNMENT. THE OTHERS WERE: INCREASED PRICES FOR PETROLEUM PRODUCTS (LISBON 4569), DEFINITION OF WORKER CONTROL (LISBON 4589), AND INDEMNIZATION FOR SHAREHOLDERS OF NATIONALIZED COMPANIES (SEPTTEL). DECREE NO. 530/76, WHICH IS FIRST SIGNIFICANT ATTEMPT TO RESOLVE LABOR PROBLEMS, COULD PROVE THE MOST IMPORTANT OF THESE FOUR, IF IT IS USED AGGRESSIVELY. IT NOT ONLY FORMALIZES PROCEDURES ALREADY EMPLOYED, AS IN TIMEX CASE, BUT PROVIDES GOP ADDITIONAL AUTHORITY TO TREAT INDIVIDUAL COMPANY FINANCIAL PROBLEMS. TONE OF DECREE'S OPENING PARAGRAPHS SUGGESTS THAT GOP IS DISPOSED TO EMPLOY THIS AUTHORITY AS THE NEED ARISES. ITS ABILITY TO DO SO MAY, HOWEVER, BE IMPAIRED BY REQUIREMENT THAT WORKERS APPROVE EACH APPLICATION OF THIS DECREE.

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**To:** STATE  
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